

**TAX TIPS FOR**

# **NONPROFIT ORGANIZATIONS**



Business



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# Preface

This pamphlet is a general guide to the Sales and Use Tax Law and Regulations as they apply to nonprofit organizations. If you cannot find the information you need in this booklet, please contact our Information Center at 800-400-7115.

This pamphlet supplements our basic sales tax publication, *Your California Seller's Permit* (publication 73), which is provided to everyone who obtains a seller's permit. It provides basic information on sales, purchases, and records. If you do not have a current copy, see page 33 for ordering information.

We welcome your suggestions for improving this or any of our publications. Please use the reader survey on page 37 or send your suggestions to:

Audit and Information Section, MIC:44  
State Board of Equalization  
P.O. Box 942879  
Sacramento, CA 94279-0044

## Frequently Asked Questions—Nonprofit Organizations

### ■ Is there a general state sales tax exemption for nonprofit groups?

Although many organizations are exempt from federal and state income tax, there is no similar general exemption from California sales and use tax. Nonprofit groups' sales may be taxable even though the proceeds are used for philanthropic purposes. Likewise, nonprofit organizations' purchases may be taxable even though the purchaser is engaged in charitable activities.

### ■ Does our group need a seller's permit?

It may. Your group generally needs a seller's permit if you make any taxable sales of goods or merchandise in California. Some groups need a permit even though their sales are tax exempt.

### ■ Do I need any information on hand in order to use this pamphlet?

It will help you to know the particular sections of the income and property tax law that apply to your organization. For example, you may need to know whether your organization is exempt from income tax under Internal Revenue Code section 501(c)(3) or (c)(4) and California Revenue and Taxation Code section 23701. You may also need to know whether your group is exempt from property taxes under Revenue and Taxation Code section 214, commonly known as the "welfare exemption." For information on the welfare exemption, contact your county assessor or visit our website: [www.boe.ca.gov](http://www.boe.ca.gov).

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*To contact your Board Member, see [www.boe.ca.gov/members/board.htm](http://www.boe.ca.gov/members/board.htm)*

*Note:* This pamphlet summarizes the law and applicable regulations in effect when the pamphlet was written, as noted on the cover. However, changes in the law or in regulations may have occurred since that time. If there is a conflict between the text in this pamphlet and the law, the law is controlling.

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# 1. Special Exemptions for Certain Charitable Organizations

*There are special exemptions in the Sales and Use Tax Law for certain types of charitable organizations. This chapter is designed to address those exemptions. For more information, you may wish to obtain Regulation 1570, Charitable Organizations. The organizations described in this chapter are considered to be retailers and must hold a seller's permit. Please see chapter 4, General Sales and Use Tax Reporting Requirements, for further information on seller's permits and tax reporting requirements (page 13).*

## Qualified charitable organizations

If your organization meets all of the following qualifications, your sales are not subject to sales or use tax. The organization must

- Be formed and operated for charitable purposes.
- Qualify, under Revenue and Taxation Code section 214, for the “welfare exemption” from property taxation on the retail site where sales are made, or if the organization does not own the store, on its personal property located there (*thrift store operators*—please see note next page).
- Be engaged in the relief of poverty and distress.
- Sell or donate items principally to assist purchasers or donees in distressed financial condition.
- Make, prepare, assemble, or manufacture the items it sells or donates. “Preparation” includes cleaning, repairing, or reconditioning items. “Assembly” includes gathering together items at one location for sale or donation.

*Example:* Your 501(c)(3) charitable nonprofit corporation, which conducts a rehabilitation program, has qualified for the welfare exemption from property tax. You operate an emergency shelter for homeless families where you make inexpensive hot lunches and sell them to families in need. Although sales of hot meals are ordinarily taxable, your sales are tax exempt because your organization and your sales meet all of the conditions listed above.

In addition, your qualifying organization's *purchases* are not subject to sales or use tax, provided you will donate or sell the items you purchase. In the example above, purchases of clothing, personal supplies, and other articles donated to the families in the emergency shelter would be tax-exempt. However, tax does apply to your other purchases, such as office supplies, tools, and so forth.

*For more information on taxable sales and seller's permit requirements, please see chapter 4, “General Sales and Use Tax Reporting Requirements.”*

If you believe your organization's purchases are exempt from sales and use tax, as described on the previous page, you can write to us and request a review of your eligibility. If we determine that you qualify to make exempt purchases, we will send you a letter verifying your exempt status and tell you which documents to provide to retailers.

Send your request to Compliance and Technology Section, MIC: 40; Board of Equalization, P.O. Box 942879, Sacramento, CA 94279-0040. Please provide the following information with your request:

- A letter describing the practices and activities of the organization.
- Letters from the California Franchise Tax Board and the Internal Revenue Service verifying the organization's tax-exempt status.
- A copy of the organization's articles of incorporation or bylaws (or both).
- A letter from your county assessor verifying your property tax welfare exemption or that the organization meets the basic requirements of the exemption.

*Note for thrift store operators:* To qualify for the section 214 welfare exemption, a thrift store must, among other things, conduct a rehabilitation program that is recognized by the state Department of Rehabilitation or operate under the auspices of a city or county rehabilitation program. It must also sell goods that have been processed in some manner by people who are being rehabilitated through the program and are employed in the operation of the store.

## Organizations distributing certain materials

### ■ Medical health information literature or health and safety materials

If your charitable organization's local office distributes medical health information literature, you are not required to pay use tax on the purchase, storage, or other use of that literature, provided that

- You purchase the literature from your organization's national or branch office,
- Your organization is formed and operated for charitable purposes, *and*
- Your organization qualifies for the welfare exemption from property taxation under Revenue and Taxation Code section 214.

This exemption also applies to your purchase, storage, or distribution of health and safety educational materials routinely sold in connection with health and safety and first aid classes. To qualify, your national organization must routinely distribute health and safety information *and* meet all the conditions listed above. However, your *sales* of medical health information or health and safety materials are generally taxable.

For example, you may operate the local office of a national, nonprofit charitable organization that distributes health and safety materials to the public. As part of your activity, you conduct CPR classes, purchasing textbooks from your national or branch office and providing them to your CPR students. Your textbook purchases would not be taxable.

### ■ Medical identification tags

A medical identification tag is defined as a tag worn by a person to alert others that he or she has a medical disability or allergic reaction to certain treatments. The sale, storage, or other use of the tags by your organization is exempt from sales and use tax, provided that the organization is exempt from state income taxes under Revenue and Taxation Code section 23701.

### ■ Children's new clothing

If your charitable nonprofit organization distributes new clothing to elementary school children without charge, primarily to assist those in financial need, you are not required to pay sales or use tax on the purchase or use of the clothing. To qualify for this exemption, your organization must be organized for charitable purposes, engaged in relieving poverty or distress, and exempt from state income tax under Revenue and Taxation Code section 23701d.

## Works of art and museum pieces

### ■ Original works of art on public display

Under certain conditions, the sale or purchase of original works of art for permanent collections on public display is exempt from sales and use tax. The exemption covers original artworks

- Purchased by the State, or any California county, city, or other local government entity, for free public display.
- Purchased by a nonprofit organization operating a public museum under contract with a government entity.
- Purchased by a nonprofit organization exempt from state income taxes under section 23701d of the Revenue and Taxation Code, for a museum open to the public at least 20 hours a week for at least 35 weeks a year. The buyer or another qualifying nonprofit must operate the museum.
- Purchased by any buyer for donation to a qualifying organization or government entity (see previous three bullets). The retailer must deliver the artwork directly to the recipient. The donor must transfer ownership to the recipient in writing.

*For more details on this topic, you may wish to obtain a copy of Regulation 1586, Works of Art and Museum Pieces for Public Display.*

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*Note:* If you claim a museum exemption, you must maintain records indicating the date of purchase, purchase price, date the artwork was first brought into the state, and the dates and locations the work was on public display.

## ■ Replacement museum pieces

The purchase of items to replace objects in a museum's permanent collection may be exempt from sales and use tax if all of these conditions apply:

- The item is purchased to replace a museum display piece that was physically destroyed by fire, flood, earthquake, or other calamity.
- The item is purchased within three years of the calamity.
- The replacement item is used exclusively for display.
- The total value of the purchase or purchases does not exceed the value of the item destroyed, as of its destruction date.

There is no requirement that the replacement be similar to the destroyed piece.

To qualify for the exemption, the replacement item must be purchased by one of the following:

- A nonprofit museum regularly open to the public and operated by or for a local or state government entity.
- A nonprofit museum regularly open to the public and operated by a nonprofit organization that is exempt from state income tax under section 23701d of the Revenue and Taxation Code.
- A state or local government entity for its art collection that is open to the public without charge.

*Please note:* Display cases, lighting fixtures, shelving, and similar items used in operating the museum do not qualify for this exemption.

## Organizations holding auctions to benefit homeless shelters

Sales made at an auction to benefit a homeless shelter are exempt from tax when the auction is conducted by, or affiliated with, a nonprofit organization and all three conditions below apply:

- The funds raised in the auction are spent to benefit the homeless shelter and homeless people.
- The organization is exempt from state income tax under Revenue and Taxation Code section 23701d.
- The organization conducts only one such auction during any 12-month period.



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## Thrift stores benefiting individuals with HIV or AIDS

Through December 31, 2006, tax does not apply to sales of used clothing, household items, or other retail merchandise by certain thrift stores operated to raise funds for providing medical, hospice, or social services for individuals chronically ill with HIV or AIDS. The organization operating the thrift store must

- Spend at least 75 percent of the store's net revenues providing the medical, hospice, or social services described above, and
- Be exempt from state income tax under section 23701d of the Revenue and Taxation Code.

If you believe that sales by your organization qualify for this tax exemption, you may ask us to review your eligibility. If you qualify, we will provide a letter verifying your eligibility. Send your request to Compliance and Technology Section, MIC:40; Board of Equalization, P.O. Box 942879, Sacramento, CA 94279-0040. Please provide the following information with your request:

- A letter signed by an officer of the organization, describing the organization's activities and certifying that the organization meets the requirements for the exemption described above.
- A letter from the California Franchise Tax Board, verifying the organization's exempt status under Revenue and Taxation Code section 23701d.
- A list of the types of merchandise the organization will sell.



*For more information, you may wish to obtain a copy of Regulation 1597, Property Transferred or Sold by Certain Nonprofit Organizations.*

## 2. Organizations Whose Sales Are Generally Not Taxable

*The nonprofit organizations listed in this chapter are considered to be consumers of merchandise they sell, rather than retailers. Consequently, they are generally not required to hold California seller's permits or to report tax on their sales (for some organizations, only specific sales qualify for this exclusion). Unless otherwise noted, the organization's sales profits must be used exclusively to further the purposes of the organization.*

*Although your organization's sales may not be taxable, your purchases are generally taxable, and you cannot issue resale certificates for them. Since tax must generally be reported by the business selling to your organization, you can expect to pay an amount for tax when you buy merchandise. (If you work with a fundraiser company or similar supplier, different regulations may apply—please see page 11 for details.)*

### Nonprofit parent-teacher associations

Nonprofit Parent-Teacher Associations (PTA) chartered by the California Congress of PTA, Incorporated, and equivalent organizations authorized by school authorities to perform the same type of service for public or private schools, are considered to be consumers of products they sell. The profits from the sales must be used exclusively to further the organization's purpose.

*Please note:* Connection with a school does not automatically make a group equivalent to a chartered PTA. To be considered equivalent, the group must meet all of the following conditions:

- It must be a nonprofit organization that includes parents.
- The group's objectives must include enhancing the welfare of all of the students in the school, and developing better communication between parents and school authorities. (Groups such as athletic booster clubs, whose efforts are directed toward a select group of students rather than all students, are not considered PTA-equivalent organizations.)
- The group must be authorized to operate in the school by the school's governing authority.
- The profits from the group's sales must be used exclusively to further the group's purpose.

## Nonprofit youth organizations

Qualified youth organizations are considered to be retailers in some circumstances and consumers in others. To qualify as a consumer, your group must be one of the following:

- A nonprofit organization that qualifies for tax-exempt status under Internal Revenue Code section 501(c), whose primary purpose is to provide a supervised program of competitive sports for youth or to promote good youth citizenship. The group must not discriminate on the basis of race, sex, nationality, or religion.
- A youth group or club sponsored by, or affiliated with, a *qualified educational institution* including, but not limited to, student activity groups such as debating teams, swimming teams, bands, and choirs.

Most public and nonprofit private schools, except for those that discriminate on the basis of race, sex, nationality, or religion, are considered qualified educational institutions. For more information, you may wish to obtain a copy of Regulation 1597, *Property Transferred or Sold by Certain Nonprofit Organizations* (see page 33).

If your youth group does not meet the requirements listed, it is generally considered the retailer of products it sells. Please see the next chapter, “General Sales and Use Tax Reporting Requirements,” for further information.

### ■ Nontaxable sales

Qualified youth groups are considered to be consumers of food products, nonalcoholic beverages, and *items made by members of the organization*, which they sell on an *irregular or intermittent* basis. The proceeds from the sales must be used exclusively to further the group’s purpose.

*Please note:* Sales made in storefront or mobile retail outlets that normally require local business licenses *do not qualify* as intermittent or irregular sales.

### ■ Taxable sales

Youth groups selling merchandise such as t-shirts, wrapping paper, mugs, and so forth are generally retailers of those products. Sales of these items are taxable and must be reported as described in chapter 4, “General Sales and Use Tax Reporting Requirements,” beginning on page 13. Your group may need a permanent seller’s permit, as discussed in that chapter.

## Schools selling yearbooks and catalogs

A public or private school, school district, student organization, or county office of education is considered the consumer of yearbooks and catalogs it sells. The yearbooks or catalogs must be prepared for or by the school, district, or organization, and distributed to students. Profits from such sales are *not* required to be used for any particular purpose.

## Friends of the library

Nonprofit associations commonly called “Friends of the Library,” or equivalent organizations, are considered consumers of items they sell. The organization must perform auxiliary services to a library district, municipal library, or county library in California, as authorized by the library’s governing authority. Profits from the organization’s sales must be used exclusively to further the organization’s purposes.

## Parent cooperative nursery schools

Nonprofit parent cooperative nursery school associations are considered consumers of property they sell, provided the resulting profits are used exclusively to further the organization’s purpose.

## Nonprofit veterans’ organizations

Nonprofit veterans’ organizations are considered the consumers of United States flags they sell. As such, they are not liable for sales tax on their flag sales. However, they are liable for sales or use tax on their purchases of the flags or materials used to make the flags. To qualify as a consumer, the veterans’ organization must use the profits from their flag sales exclusively to further the organization’s purpose.

Sales or use tax does not apply to “Buddy Poppies” and similar symbolic, impermanent lapel pins sold or purchased by the Veterans of Foreign Wars and other specified organizations, described in Revenue and Taxation Code section 6360.1. To qualify for this exemption, the items must memorialize U.S. military veterans killed in foreign wars.

For information on the sale of food or meals by nonprofit veterans’ organizations, see page 24.

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## Organizations providing services to individuals with developmental disabilities or children with severe emotional disturbances

Under certain circumstances, organizations whose primary purpose is to provide services to individuals with developmental disabilities or children with severe emotional disturbances are considered consumers of items they sell. The organization must

- Be tax-exempt under section 501(c)(3) of the Internal Revenue Code.
- Not discriminate on the basis of race, sex, nationality, or religion.

In addition, all of the following conditions must apply:

- The items sold must be handcrafted or artistic and designed, created, or made by individuals with developmental disabilities or children with severe emotional disturbances who are members of, or receive services from, the organization.
- The price of each item cannot exceed \$20.
- The organization's sales must be made on an irregular or intermittent basis.
- The profits from the sales must be used exclusively to further the purpose of the organization.

*Example:* Your charitable, Internal Revenue Code section 501(c)(3) tax-exempt organization provides educational services and skills training for developmentally disabled adults. Each year, participants in your programs make holiday decorations you sell at an annual open house for \$20 each. The profits are used to buy educational materials for your classes. Your organization's sales are not taxable. (However, your purchases of the materials used to make the decorations are subject to sales or use tax.)

## Nonprofit organizations operating within museums

Under certain conditions, authorized nonprofit museum auxiliary associations and equivalent organizations that assist a California city or county museum are considered consumers of items they sell. Sales they make at an annual rummage sale are not taxable, provided the rummage sale is *at least the sixth consecutive, annual rummage sale* sponsored by the association. All sales profits must be used exclusively to further the purpose of the organization. (For the first five consecutive, annual rummage sales, the museum auxiliary is considered to be a *retailer* of the items it sells. It must report and pay sales tax on the proceeds.)

## Endangered or threatened animal and plant species

The sale or purchase of listed endangered or threatened animal and plant species is exempt from sales and use tax when both the seller and the buyer are nonprofit zoological societies (private charitable, scientific, or educational (501)(c)(3) entities or government agencies). In addition, the acquisition or disposition of the animals and plants by such societies is not taxable when made through certain trades and exchanges. Species qualify when listed in one of the CITES Appendixes or on the federal threatened or endangered species list.

## Organizations selling through vending machines

*For information on vending machine sales at schools, see page 23.*

Certain nonprofit organizations are considered to be the consumers of all products they sell through vending machines, regardless of price. These organizations include:

- Nonprofit parent-teacher associations and equivalent organizations.
- Nonprofit organizations commonly called Friends of the Library and equivalent organizations.
- Nonprofit parent cooperative nursery schools.

For more information on these organizations, see pages 6 through 8.

Generally, other nonprofit or charitable organizations are considered consumers of the following items they sell in a vending machine:

- Items sold for 15 cents or less.
- Unsorted cold food products (other than beverages), sold in bulk and priced at 25 cents or less, such as loose candies.

However, sales tax is generally due on other vending machine sales, including sales of toys and carbonated drinks. Food items are taxed at 33 percent of their selling price.

The *operator* of the vending machine is responsible to report and pay the tax. If your nonprofit organization stocks the machine and collects the money from it, you are responsible for the sales tax. If the machine is maintained by an outside company, that company must report and pay the tax due. For information on seller's permits and tax reporting requirements, see chapter 4, "General Sales and Use Tax Reporting Requirements," beginning on page 13. For more information on sales of food, please see chapter 6, "Food and Meals," beginning on page 22. You may also wish to obtain a copy of Regulation 1574, *Vending Machine Operators* (see page 33).

### 3. Organizations Working with Fundraiser Companies

*Nonprofit organizations and volunteer groups often contract with fundraiser companies to help them raise money. Whether your organization is responsible to report and pay sales tax depends on how the sales are handled.*

#### Organization considered a “sales agent,” permit not required

Generally, if your organization’s members or representatives solicit orders, collect payments, and distribute merchandise for a fundraiser company or other similar supplier, they are considered agents of that company. As a result, your organization is not required to obtain a seller’s permit for those activities. The fundraiser company is responsible for reporting the sales, and paying any tax due, based on the retail selling price of the merchandise.

*Please note:* Generally, if your nonprofit organization’s sales are exempt from tax (as described in chapter 2), sales you make as the agent of a fundraiser company are *not* eligible for that exemption. The fundraiser company is responsible for the tax due on those sales.

#### Organization considered a retailer, must obtain seller’s permit

When working with a fundraiser company, your organization is considered to be a retailer when it buys and sells items for its own direct benefit. You must obtain a seller’s permit and pay any tax due if your organization does all of the following:

- Executes a contract with the supplier clearly stating that your organization will *purchase and resell* merchandise.
- Solicits orders from the public in its own name.
- Collects the sales price from customers in its own name.
- Is responsible for and pays the supplier for the merchandise (or receives the products as a donation).

#### ■ Exceptions

When selling in this manner, your organization is generally *not* responsible to obtain a seller’s permit and report tax if

- The organization is a qualifying PTA, Friends of the Library group, nonprofit parent cooperative nursery school, or qualified youth organization (under certain circumstances), as described in chapter 2, beginning on page 6.

*For more information, you may wish to obtain a copy of Regulation 1597, Property Transferred or Sold by Certain Nonprofit Organizations.*

*For information on taxable sales and seller’s permit requirements, please see the next chapter, “General Sales and Use Tax Reporting Requirements.”*

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- We consider the fundraiser company or supplier to be the retailer of the products you sell. In this case, the company or supplier is responsible for the tax. Such companies typically include multilevel marketing companies that solicit sales through a network of representatives, such as Avon and Tupperware. If you are unsure who is responsible for reporting and paying tax on your sales, please contact us for assistance.



## 4. General Sales and Use Tax Reporting Requirements

*If your organization is not a consumer of the products it sells, as described in chapter 2, or a sales agent, as described in chapter 3, your sales may be taxable and you may be required to obtain a seller's permit. (Charitable organizations discussed in chapter 1, while not required to pay tax on their sales, are required to hold seller's permits.) This chapter describes the general tax reporting responsibilities of nonprofit organizations selling merchandise in California. It contains information on common taxable activities, seller's permits, filing returns, charging sales tax, record keeping, using a resale certificate, and applying tax to purchases.*

*For more general information, please refer to publication 73, Your California Seller's Permit.*

### Taxable and nontaxable activities, an overview

#### ■ Taxable activities

Tax generally applies to the sale of goods and merchandise in California, including barter and trades. Tax may also apply to your purchases, as explained later in this chapter.

Taxable activities commonly engaged in by nonprofit and volunteer organizations include

- Sales of food, meals, beverages, and so forth, under certain circumstances. For a more detailed discussion of taxable food sales, see chapter 6, "Food and Meals," beginning on page 22.
- Sales of items at rummage sales, bazaars, carnival booths, auctions, silent auctions, community events, and other fundraisers. Tax applies to the sale of homemade items, commercially produced goods, and donated merchandise.
- Ticket charges for game booths where prizes are *guaranteed* to each ticket purchaser, even though the prizes may have little value. White elephant, fish pond, grab bag, and "pitch-'til-you-win" games are examples of taxable game booth activities.

#### ■ Nontaxable activities

Certain activities commonly conducted by nonprofit organizations are not taxable, including

- Sales of certain food and drinks—when not sold as part of a meal or in combination with hot food—at an event with *no on-site eating facilities* and

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where admission is not charged, such as an outdoor bake sale. For more details on the taxability of food sales, see chapter 6, “Food and Meals,” beginning on page 22.

- Ticket charges for concerts, movies, plays, shows, and similar events, provided that food and meals are not served at the event, or if food and meals *are* served, there is a separate, taxable charge for them.
- Ticket charges for game booths and raffles where prizes are not guaranteed to every ticket purchaser. The nonprofit organization’s purchases of such prizes are generally taxable.

## Seller’s permit requirements

Generally, if you make sales subject to sales tax in this state, you are required to register as a seller and to hold a seller’s permit. It is your responsibility to apply for a permit, report your sales, file returns, and pay any tax due. Whether you are required to have a permanent or temporary permit depends on the frequency of your sales activities (see below).

There is no fee charged for a seller’s permit. However, we may require a security deposit to cover any unpaid taxes that might be outstanding if your organization later stops operating. The amount of the security, if any, will be determined when you apply for the seller’s permit, based on your anticipated sales.

Certain specific types of organizations are not ordinarily required to hold a seller’s permit. For more information on these organizations, please see the preceding two chapters.

### ■ Temporary seller’s permit

If your nonprofit organization holds no more than three fundraising events with taxable sales each year, you may apply for a *temporary* seller’s permit for each event. (If your organization routinely holds more than one event a year, you may want to apply for a permanent permit—see next section.) Please contact us for information on how to apply (see page 33). Applications are available on our website, from our Information Center, and at our field offices. You may be able to complete your application by mail.

After processing your application, we will give you a sales and use tax return to use in reporting the tax due from your fundraising event. The return and payment will be due on the last day of the month following the month in which your event is held. Please be sure to comply with the deadline on the form. You may be charged a penalty and interest for failing to file the return and payment on time.

If you have held a fundraising sales event before you apply for a permit, you should contact us *immediately*. Prompt action may enable you to apply for the temporary permit, file the required return, and pay any tax due before you owe penalty and interest.

### ■ Permanent seller's permit

If your organization conducts *more than three* fundraising sales events each year, or if your taxable sales activities occur *continuously*, you should apply for a permanent seller's permit. You may also apply for a permanent seller's permit if your organization routinely holds more than one event a year. Some groups find it easier to hold a permanent permit. It keeps them from having to remember to apply for a temporary permit before each event and ensures that we automatically send returns for reporting sales to the group. Please contact us for information on how to apply (see page 33). Applications are available on our website, from our Information Center, and at our field offices. You may be able to complete your application by mail.

#### *Filing your tax returns*

If you are issued a permanent seller's permit, you will be sent monthly, quarterly, or annual sales and use tax returns at the close of each reporting period. (Your filing frequency is determined by your estimated taxable sales.) You must mail your completed return and any payment due to our Sacramento headquarters office on or before the due date listed on the return. If you prefer, you may file your return at one of our field offices. Generally, the due date is the last day of the month following the end of the reporting period. Please be sure to comply with the due date on the return. You may be charged a penalty and interest for failing to file the return and payment on time.

## Charging amounts for sales tax

You are responsible for reporting and paying the correct amount of sales tax, but the law allows you to charge your customers an amount equal to the tax you will owe on each sale. Usually, sellers add this amount as "sales tax" to the price of merchandise at the time the sale is made. If you choose to follow this practice, your receipts should clearly show the amount of tax added at the time of sale.

However, to simplify your sales procedures, you may not wish to add a tax amount to each individual item as you sell it. Instead, you can include the tax

amount in the sales price, provided you display a sign stating: *All prices of taxable items include sales tax reimbursement computed to the nearest mill.*

*Example:* You may sell boxes of decorative note cards at a booth. To save your volunteers from having to calculate the sales tax due and make change with coins, you may wish to charge an even amount—\$5, *including tax*—for each box of cards.

## Keeping records

Because you are required to report and pay the correct amount of tax on your sales, it is important that you keep adequate records. Your records must show

- Gross receipts from all sales of personal property, including sales that you do not believe are taxable.
- All deductions claimed in filing sales and use tax returns.
- The total purchase price of all tangible personal property purchased for sale, use by your organization, or lease.

You should keep separate records for each event. They should show the total amount you received, clearly distinguishing between taxable and nontaxable sales.

*Example:* Your organization has a booth at a free community fair selling both t-shirts (taxable) and brownies (nontaxable, in this instance). You must itemize your sales records to clearly distinguish between proceeds from taxable sales of t-shirts and proceeds from the nontaxable sales of brownies.

If you use a simple cash box to track your sales at events, you may find it easier to account for your sales if you sell taxable and nontaxable items at separate booths.

Our representatives may examine your books, papers, records, and other documents to verify the accuracy of any sales and use tax return you file. Whether or not you file returns, your records may be reviewed to determine if you owe tax. If you have not paid the correct amount of tax, you may be required to pay penalties and interest in addition to any tax owed.

You should keep your records for four years, unless we give you written permission to destroy them at an earlier date. For more information, you may wish to obtain a copy of Regulation 1698, *Records*, and publication 116, *Sales and Use Tax Records* (see page 33).

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## Using a resale certificate

As a registered seller with a permit, you may buy merchandise for resale without having to pay sales or use tax to the vendor. To make purchases of this type, you must give the seller a “resale certificate.”

The resale certificate may be in any form, such as a note, letter, or memorandum, provided it contains all of the following information:

- Your organization’s name and address.
- Your seller’s permit number.
- A description of the property you will purchase.
- A statement that the described property is being purchased for resale (the certificate must contain words that state the property *will be resold* or is for resale).
- The date of the document.
- The signature of someone authorized to act on behalf of your organization.

You should not issue a resale certificate if there is any question that you will not resell the merchandise you purchase. If you are unsure whether you will resell an item, you should pay an amount for tax to your supplier. If you later sell the item, you can take a deduction on the sales and use tax return on which you report that sale.

*Note:* If your organization is considered a consumer rather than a retailer, as described in chapter 2, “Organizations Whose Sales Are Generally Not Taxable,” you cannot use a resale certificate to purchase items without paying tax. You must pay tax to your supplier at the time you purchase items you will later sell. See “Purchases subject to use tax,” below, if you are purchasing items from an out-of-state vendor.

More information on using a resale certificate can be found in publication 73, *Your California Seller’s Permit* and in publication 42, *Resale Certificate Tips*.

## Purchases subject to use tax

Your organization’s purchases may be subject to sales tax or use tax, as explained below. The use tax rate for a given location is the same as the sales tax rate.

If you purchase an item with a resale certificate, but use it for a purpose other than resale, you will owe use tax as a result of that use. You must report the purchase price of such items under “Purchases Subject to Use Tax” on your sales and use tax return.

Supplies and equipment your organization purchases to use rather than sell, such as bookkeeping supplies, office equipment, display equipment, and so forth are subject to sales or use tax at the time of purchase. You should not use a resale certificate to purchase supplies and equipment for your group's use.

If you purchase items like those described in the previous paragraph from an out-of-state or Internet seller who does not charge California tax, you must pay use tax on your purchase. Be sure to report the purchase price of the items on your sales and use tax return under *Purchases Subject to Use Tax*.

For more information on using a resale certificate or purchases subject to use tax, please call our Information Center (see page 33). You may also wish to obtain a copy of Regulation 1685, *Payment of Tax by Purchaser*, publication 42, *Resale Certificate Tips*, publication 110, *California Use Tax Basics*, and publication 112, *Purchases from Out-of-State Vendors*.

## Recordkeeping for operators of flea markets, swap meets, and trade shows

If you conduct a flea market or swap meet where sellers rent or lease space under your control, you must obtain certain information from those sellers and provide it to us. Our publication 111, *Operators of Swap Meets, Flea Markets, and Special Events*, describes your responsibilities, the information sellers must give you, and the penalties that apply if you do not collect seller information and provide it to us. For ordering information, see page 33. You may also want to contact the nearest Board office for assistance (see page 36).

## 5. Newspapers and Periodicals

*Nonprofit organizations commonly distribute newspapers and periodicals to the public and their members. This chapter provides general information on the application of sales and use tax to these publications. It also explains how to use exemption certificates to buy printing or printing materials.*

### Specific exemptions from tax

The sale of newspapers and periodicals is generally taxable. However, tax does not apply to the sale or use of these publications under certain circumstances. The newspaper or periodical must be

- Published from four to 60 times a year
- Sold by subscription
- Delivered by mail or common carrier

*Please note:* If a periodical you produce or distribute does not qualify for this tax exemption, its sale or use may still be exempt from tax under special rules for nonprofit organizations, as explained later in this chapter.

#### ■ Component parts

Tax does not apply to the sale or use of materials, such as paper and ink, that are physically incorporated into a newspaper or periodical that meets the conditions described above. Fliers, circulars, handbills, and similar items are treated the same as materials when they are inserted in or attached to a qualifying publication.

#### ■ Publications distributed without charge

In addition, tax does not apply to the sale or use of component ingredients of newspapers and periodicals distributed without charge, provided the publications are regularly published, averaging at least four issues a year. If you distribute a newspaper or periodical on a *voluntary pay basis*—that is, if you request but do not *require* payment for the publication, it is considered to be distributed without charge.

### Nonprofit 501(c)(3) organizations

If your organization qualifies for tax-exempt status under Internal Revenue Code section 501(c)(3), tax does not apply to the sale or use of a newspaper or

*For more information, you may wish to obtain a copy of Regulation 1590, Newspapers and Periodicals.*



*If you have published a newspaper or periodical for more than a year, and your printing method has not changed, you may use the printing costs for the same sales tax reporting period in the prior year to determine your current costs.*

other periodical you distribute or to its component parts, if *either* of the following apply:

- Issues of the publication are distributed to your organization's members in consideration of their membership dues.
- The publication does not receive revenue from or accept commercial advertising.

To qualify for the tax exemption, the newspaper or periodical must be regularly published, averaging at least four issues a year.

Newspapers and periodicals distributed by government entities established and administered for the purposes provided in Internal Revenue Code section 501(c)(3) may also qualify for this tax exemption.

## Other nonprofit organizations

If your nonprofit organization's publications or newsletters don't qualify for one of the other tax exemptions already discussed in this chapter, another tax exemption may apply. Tax does not apply to your use or distribution of a publication if *both* of the following conditions are met:

- The publication is distributed to your organization's members in consideration of their membership dues.
- The cost for printing the publication is less than ten percent of the membership fee for the period in which the publication is distributed (please see "Calculating your printing costs . . . ," below).

*Example:* Your organization, an Internal Revenue Code 501(c)(4) nonprofit group, prints and distributes a monthly newsletter for its members. They receive the newsletter in consideration of their \$25 annual membership dues. If the printing cost of the newsletter is less than 20.8 cents per issue (\$25 annual membership fee divided by 12 months x 10 percent = \$0.208 or 20.8 cents), the publication and its component materials would be exempt from tax.

### ■ Calculating your printing costs

To determine your printing costs, you must include the cost of materials that become physical components of the publication—ink and paper, for example—and the cost of printing labor. Printing labor includes printing, collating, folding, binding, and other finishing work, but not camera work, plate preparation, film output, typography, layout, and other prepress work. If you claim this exemption, you must obtain and keep documentation from your printer that shows the cost for the allowable charges separated from other charges.

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If your organization does its own printing, you must include fringe benefits and payroll taxes in your labor cost. In addition to costs for component materials, you must also include any other costs you incur for the actual printing of the newspaper or periodical.

## Using exemption certificates

If your publication meets the conditions described in this chapter, you should issue an exemption certificate to your supplier or printer when you purchase component materials or have the publication printed. The document should certify that your publication is not subject to sales or use tax. This allows your supplier or printer to charge you for materials or printing without including amounts for sales tax. Sample certificates can be found in Regulation 1590, *Newspapers and Periodicals*.

For more information, you may wish to obtain a copy of Regulation 1603, Taxable Sales of Food Products, and publication 22, Tax Tips for the Dining and Beverage Industry.

## 6. Food and Meals

*This chapter is designed as a general guide for applying tax to sales of food and meals. It is not intended for organizations that are considered consumers of items they sell (please see chapter 2) and is not a detailed explanation of all circumstances affecting food sales. If after reading this chapter, you have questions regarding how to apply tax to the sale of food at your particular event, please call our Information Center (see page 33).*

### Food in general

The sale of food can either be tax exempt or taxable, depending on the type of food, the circumstances under which the food is sold, and who makes the sale. However, the source of the food does not affect how tax applies to its sale—the same rules apply whether the food is purchased, donated to you, or home-made.

#### ■ Meals, defined

A “meal” is a combination of food products, or a combination of food products and “edible nonfood products” (such as soft drinks), sold for an established single price. A single price is considered to be established if a menu or a sign lists one price for the sale of a combination of items, whether the combination is all food or a mixture of food and edible nonfood products.

### Special exemptions for the sale or use of meals and food products

This section describes the application of tax to meals and food that are

- Served to low-income elderly people
- Delivered to elderly and disabled people
- Sold at schools
- Furnished or served by religious organizations
- Furnished by social clubs and fraternal organizations
- Sold by nonprofit veterans’ organizations
- Served to patients or residents of institutions

If your organization’s food-related activity isn’t listed above, please turn to “Sales of food at fundraising events,” which begins on page 25).

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### ■ Meals served to low-income elderly people

If your nonprofit organization furnishes or serves meals or food products to low-income elderly people at or below your cost, those sales are exempt from tax. The meals must be provided under a state- or federally financed program.

### ■ Meals delivered to elderly and disabled people

Tax does not apply to the sale or use of meals delivered to homebound elderly or disabled people by a nonprofit volunteer home delivery meal provider.

### ■ Meals and food sold at schools

Sales of meals or individual food products to *school students* are not taxable when the sales are made by public or private schools, school districts, student organizations, parent-teacher associations, or any blind person operating a restaurant, vending machine, or vending stand in an educational institution. Sales to students of edible nonfood products—such as carbonated beverages—are taxable unless the products are sold as part of a meal. To qualify for the tax exemption, meals must be served to students at a time regularly set aside for meals, not at recess or breaks.

Sales of food to students and nonstudents in a place where admission is charged—such as an athletic event—are taxable, even when the event is held at an educational institution.

Generally, sales of meals and food products to *nonstudents* are taxable.

These general rules also apply to vending machine sales at schools.

### ■ Meals furnished or served by religious organizations

Sales of meals and food products by your religious organization at a social or other gathering it conducts are not taxable, provided both of the following conditions are met:

- The meals or food are furnished to raise funds for the organization's functions and activities.
- The proceeds are used to carry on those functions and activities.

For purposes of this exemption, "religious organization" means an organization whose property is exempt from taxation under article XIII, section 3, subdivision (f) of the state Constitution.

### ■ Meals, food, and beverages furnished by social clubs or fraternal organizations

"Social clubs" and "fraternal organizations" include any association or group acting as a unit, such as service clubs, lodges, and community, country, or

athletic clubs. Tax applies to all sales of meals, food, and drink by social clubs and fraternal organizations *unless* both of the following requirements are met:

- The organization sells meals, food, and beverages *exclusively to its members*. Items paid for by members but consumed by guests are considered sold to members.
- The organization makes these sales *less than once a week*.

For example, your fraternal organization sells meals and drinks only to your members at a monthly dinner. The organization makes no other food or beverage sales. Tax would not apply to the proceeds from your monthly dinner sales. However, if nonmembers attend even one of your dinners and pay for their own food or drinks, *all* of your food and drink income from all dinners is taxable.

### ■ Meals served by nonprofit veterans' organizations

Beginning April 1, 2004, tax does not apply to sales of meals and food products by any nonprofit veterans' organization at a social or other gathering it conducts, provided

- The meals or food are furnished to raise funds for the organization's functions and activities, and
- The proceeds are used to carry on those functions and activities.

Please note that sales of carbonated and alcoholic beverages are only tax-exempt when included in the price of a meal. Sales of carbonated and alcoholic beverages for a separate price are taxable.

### ■ Meals served to patients or residents of institutions

Sales of meals and food products to residents or patients of certain institutions are exempt from sales tax. These facilities include

- Qualified health care facilities.
- Qualified community care facilities.
- Qualified residential care facilities for the elderly.
- Qualified alcoholism recovery, drug recovery, or drug treatment facilities.
- Any house or institution financed by state or federal programs that
  - (1) serves as a principal residence *exclusively for people age 62 or older*, and
  - (2) supplies room and board for a flat monthly rate.

In addition, sales tax does not apply to those institutions' purchases of food products, meals, and nonreusable items that become parts of meals or food products—such as straws, paper napkins, and carbonated beverages. The meals or food products must be furnished or served to patients or residents.

For more information on qualifying institutions, you may wish to obtain a copy of Regulation 1503, *Hospitals and Other Medical Service Facilities, Institutions and Homes for the Care of Persons* (see page 33).

## Sales of food at fundraising events

The circumstances under which you sell food at fundraising events affect whether your sales are taxable. The chart below and the following sections describe certain general rules for those food sales. They will help you understand how to apply tax to common fundraising situations such as bake sales, fundraising dinners, and other events. *Be sure to read the text sections that apply to your sales rather than rely on this table alone.*

### ■ General rules for applying tax—food sales at events

*Note:* This table does not apply to nonprofit organizations covered by the exemptions described on pages 22 through 24, to restaurant sales (see note at right), or to vending machine sales (see page 10).

Sales of food to go		
Type of food	Is sale usually taxable?	See more on
Cold beverages	No. <i>Exceptions:</i> (1) Tax applies to the sale of alcoholic and carbonated beverages. (2) May be taxable when sold in a combination package.	Page 26
Cold food (candy, snack food, produce, etc.)	No. <i>Exception:</i> May be taxable when sold in a combination package.	Page 26
Hot prepared food	Yes. <i>Exception:</i> Tax does not apply to sales of individual hot drinks and bakery goods.	Page 26
Combination packages	Yes. Application of tax depends on contents of package.	Page 27
Sales of food for consumption on site		
Type of sale, location	Is sale usually taxable?	See more on
Meals served at fundraising events	Yes. <i>See definition of meal on page 22.</i>	Page 28
Food sold where admission is charged	Yes. <i>Exception:</i> Food sold in a form or size that buyers would normally take home.	Page 27
Food sold where dining facilities are provided	Yes. <i>Exception:</i> Food sold in a form or size that buyers would normally take home.	Page 28

*For information on sales tax and restaurants, you may wish to obtain a copy of publication 22, Tax Tips for the Dining and Beverage Industry (see page 33).*

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## ■ Sales of food to go

The information in this section does not apply to your organization's sales of meals at fundraising events, in places where admission is charged, or where "dining facilities" are provided for your customers. (Dining facilities include tables, chairs, benches, counters, plates and glasses, and so forth.) For information on those types of sales, see "Sales of food for consumption on site," beginning on page 27.

### *Cold beverages*

Sales of alcoholic beverages are taxable. Sales of carbonated beverages—including bottled, carbonated water—are also taxable. To-go sales of noncarbonated and noneffervescent bottled water are generally not taxable (but see "Combination packages," opposite). Special rules for hot beverages are discussed under "Hot prepared foods," below.

### *Cold food products*

Sales of "cold food products" such as produce, candy, and snack foods are generally not taxable (but see "Combination packages," next page). However, certain vending machine sales of candy and other food products are partially taxable (see page 10 for more information on vending machine sales).

### *Hot prepared foods*

Sales of "hot prepared food products" are taxable. Hot prepared food products are products, items, beverages, or food components prepared for sale in a heated condition and sold at any temperature higher than the air temperature of their sales location. Examples include hot pizza, hot popcorn, hot nuts, hot barbecued chicken, hot sandwiches, and hot soup. Sales of food prepared to be served hot are taxable even if the food has cooled by the time it is served.

Hot bakery goods, hot coffee, and other hot beverages are considered hot prepared food products. However, the sale of individual hot bakery items or drinks to go is tax exempt unless they are sold through a vending machine for more than 15 cents or as part of a combination package (see next section).



### ***Combination packages***

Combination packages are two or more items sold together for a single price. The application of tax to the sale of the combination package depends on its contents, as shown in the table below.

<i>Combination food package includes</i>	<i>How does tax apply?</i>
A hot, prepared food product or hot beverage and any other food item. <i>Examples:</i> Hot coffee and a doughnut; hot soup and a cold sandwich.	Tax applies to full selling price.
Cold food products only. <i>Example:</i> Cold sandwich, chips, a cookie, and grapefruit juice.	Tax does not apply.
A carbonated beverage and one or more cold food items. <i>Example:</i> Cold sandwich, chips, a cookie, and a soft drink.	Tax applies only to the portion of the selling price that represents the charge for the carbonated beverage.

### ■ **Sales of food for consumption on site**

Sales of food for consumption at certain events and locations are generally taxable, even if the sale of the food product to go would otherwise be tax exempt. This section explains how tax applies to the sale of food intended to be eaten on site. It is not, however, a guide to applying tax in restaurants. For information on restaurant sales, you may wish to obtain a copy of our publication 22, *Tax Tips for the Dining and Beverage Industry* (see page 33).

#### ***Food sales in places where admission is charged***

Sales of food, meals, or beverages are generally taxable when the food product is sold *ready to eat* within a place where admission is charged, such as a concert, a play, a football game, or a similar location.

For example, if you sell juice and sandwiches at a dog show where spectators have paid \$5 for admission, your food sales are taxable.

However, sales of food products that would not ordinarily be eaten on the premises—such as jars of jam, whole pies, or packages of cookie dough—are not taxable. If you make sales of this type, be sure to keep good records that clearly indicate the type of products you sold (see page 30).

#### ***Exceptions***

Certain locations are not covered by this general rule, including national and state parks, marinas, campgrounds, and recreational vehicle parks. Places

where admission is based on membership dues or use of a student body card, and places where spectators are admitted free—such as bowling alleys and golf courses—are not considered to be places where admission is charged.

### *Food sold where dining facilities are provided*

Sales of food, meals or beverages are generally taxable when sold *ready to eat* at a location where your organization provides either

- Tables, chairs, or counters for dining, or
- Trays, glasses, dishes or other tableware for your customers' use.

For example, if your organization sells ice cream sundaes at a free community fair where tables and chairs are available for use by your customers, your sales are taxable.

However, if you sell food products that would not ordinarily be eaten on site—such as jars of jam, whole pies, or packages of cookie dough—those sales are not taxable. If you make sales of this type, be sure to keep good records that clearly indicate the type of products you sold (see page 30).

## ■ Special events involving food, meals, or refreshments

### *Special considerations for ticket pricing*

Special events sponsored by your organization may include both taxable and nontaxable activities. Consequently, your organization should be especially careful when providing food, drinks, prizes, admission to entertainment, and so forth, for one lump-sum amount designated as a donation. Generally, if you charge a lump-sum donation for a fundraising event involving taxable sales, *the entire ticket charge will be taxable, unless you*

- List the taxable charges separately on the event tickets.
- Keep separate records of taxable and nontaxable charges.

*Example:* You may hold a fundraising dinner-dance, where the \$75 ticket donation includes dinner and drinks (which are taxable—see next page) and dancing (which is not taxable). If your tickets list only one price, tax applies to that full, listed price. However, if the tickets state *ticket price includes \$35 for dinner and drinks* and your event income records reflect this breakdown, tax applies only to the \$35 charge listed for dinner and drinks.

*Please note:* When your organization is not responsible for reporting and paying the tax for sales of meals at a fundraising dinner or other event (as explained in the next section) you do not need to separate charges in this manner.

Amounts you receive from tickets sold, but not used, are not taxable.

### *Meals served at fundraising events*

Tax generally applies to charges for drinks, food, and meals included in the ticket price of fundraising dinners or special events. The business or organization that *serves* the meals at a fundraising event is responsible for reporting the taxable sales and paying the tax due. If your organization serves the meals at your event, you are liable for the tax. This is true whether the meals are furnished by members of your organization, purchased, prepared by a caterer, or donated to you. Tax is due based on the ticket price for the meal. As noted in the previous section, if the charge for the meal is not separately specified on the event ticket, the entire ticket price is taxable.

But if your organization contracts with someone else to serve the meals at your event, you are not responsible for paying tax on your ticket sales. The business that serves the meals must report the sale of the meals and pay the tax due, based on the amount they charge you. For example, your organization might contract with a restaurant, hotel, or caterer to provide and serve meals for a certain price. The food server would be liable for the sales tax, based on the amount charged you for the meals.

*Example:* Your organization holds a fundraising dinner at the ballroom of a hotel, with ticket prices of \$100 each. You contract with the hotel to provide and serve the meals and drinks for \$25 per person. Since the hotel serves the meals, it must report and pay sales tax based on the amount it charges you for the meals and drinks (\$25 each). Your organization does not owe tax on the sale of the meals.

### *Refreshments served at event but not mentioned on the event tickets*

If your tickets do not mention refreshments, and you serve only an *insignificant* amount of food at your event, no portion of the ticket price is taxable. For example, if you hold a *Meet-the-Candidates Night* and serve only coffee and tea, tax would not apply to your income from ticket sales.

### ■ **Deduction for tax-paid supplies**

If you pay sales tax on items you use at a fundraising event—such as carbonated beverages, alcoholic beverages, paper plates, or paper napkins—you may be able to take a deduction on your sales and use tax return. You must use the items for a taxable activity included in the ticket price for your event.

For example, if your organization paid sales tax when it bought paper plates on which to serve meals at a fundraising breakfast, you can take a deduction for the cost of the tax-paid plates. You would take the deduction under “Tax-Paid Purchases Resold Prior to Use” on your sales and use tax return. You must claim the deduction on the same return on which you report the full, taxable

gross receipts from the breakfast. Taking the deduction does not change the amount you report as total sales for the event.

You may purchase for resale those items you will sell at a fundraising event. For more information, see “Using a resale certificate,” on page 17.

## ■ Recordkeeping

Whenever you sell food for fundraising, your records must indicate the type of food and the location of the sale. If you make tax-exempt sales of food to go, your records should state that you did not provide dining facilities for your customers or that you were selling products not suitable for consumption on site (see pages 27 and 28).

If you claim a tax exemption for sales of food products in a form or size not suitable for consumption on site, your records should

- Indicate that the food products would ordinarily not be consumed on the premises, *and*
- If applicable, separately list income for sales of these food items to go from income for your sales of food to be eaten on site. Make the separation in your sales records, cash register tapes, or a similar record that we can verify by audit. For example, you might sell pie slices and whole pies at a fair that charges admission. While you could use one cash box for all sales, you should retain sales receipts for all nontaxable whole pie sales.

Your records must provide sufficient detail to back up your claim that the sales were tax exempt.

## 7. Donations and Loans

*Under certain circumstances, use tax does not apply to retailers' donations to volunteer and nonprofit organizations. Some of those donations are described below. See also page 3, "Works of Art and Museum Pieces."*

*You may also wish to obtain a copy of Regulation 1669, Demonstration, Display and Use of Property Held for Resale—General, or Regulation 1669.5, Demonstration, Display and Use of Property Held for Resale—Vehicles (see page 33 for ordering information).*

### Property donated to qualified organizations

Items withdrawn from a seller's inventory and donated to a qualified organization located in California are not subject to use tax. Qualified organizations are described in section 170(b)(1)(A) of the Internal Revenue Code and include

- Religious organizations.
- Charitable organizations, such as the Red Cross, the Salvation Army, nonprofit schools and hospitals, and medical assistance and research groups.
- Organizations operated for educational, scientific, or literary purposes, including nonprofit museums, art galleries, and performing arts groups.
- Organizations operated for the protection of children or animals.
- Fraternal lodges, if the donated items are to be used for charitable purposes and not for the benefit of the members.
- The United States, this state, and political subdivisions of the state such as counties, cities, and special districts.

### Loans to schools

Certain loans by retailers are exempt from use tax, including

- Loans of items to a school district for a district educational program.
- Loans of motor vehicles to be used exclusively in driver training programs by accredited private or parochial secondary schools. The driver training program must be approved by the State Department of Education as a regularly conducted course of study.
- Loans of motor vehicles to the California State Universities or the University of California for exclusive use in an approved driver education program conducted by the university.

- Loans of motor vehicles to a veterans' hospital or other nonprofit facility for use in teaching disabled veterans how to operate specially equipped vehicles.

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## 8. For More Information

### Website

For publications, forms, regulations, and much more: [www.boe.ca.gov](http://www.boe.ca.gov)

### Information Center

If you have a general tax question, please call our toll-free number and speak with a Customer Service Representative. Representatives are available weekdays from 8:00 a.m. to 5:00 p.m., except state holidays. Please call:

800-400-7115    TDD/TTY: 800-735-2929

Assistance is available in languages other than English.

### Questions regarding your account

Please call the office that maintains your records. The name and telephone number of the appropriate office is printed on your tax returns. Field office telephone numbers are provided on the inside back cover.

### Faxback service

Our faxback service, which allows you to order selected forms and publications, is available 24 hours a day. Call 800-400-7115 and choose the fax option. We'll fax your selection to you within 24 hours.

### Publications and regulations

To obtain copies of forms, publications, and regulations, you may:

**Use the Internet.** Most regulations and publications are available on our website: [www.boe.ca.gov](http://www.boe.ca.gov).

**Call our Information Center.** A Customer Service Representative will help you during working hours. If you know the name or number of the document you need, you can call outside working hours and leave a recorded message. Certain documents are also available on our faxback service, described above.

Selected regulations and publications that may interest you are listed on the next page. A complete listing of sales and use tax regulations and publications appears in publication 73, *Your California Seller's Permit*.

## ■ Regulations

- 1503 Hospitals and Other Medical Service Facilities, Institutions, and Homes for the Care of Persons
- 1570 Charitable Organizations
- 1574 Vending Machine Operators
- 1586 Works of Art and Museum Pieces for Public Display
- 1590 Newspapers and Periodicals
- 1597 Property Transferred or Sold by Certain Nonprofit Organizations
- 1603 Taxable Sales of Food Products
- 1669 Demonstration, Display, and Use of Property Held for Resale—General
- 1669.5 Demonstration, Display, and Use of Property Held for Resale—Vehicles
- 1670 Gifts, Marketing Aids, Premiums, Prizes
- 1685 Payment of Tax by Purchaser
- 1698 Records
- 1700 Reimbursement for Sales Tax
- 1821 Foreword—District Taxes

## ■ Publications

- 17 Appeals Procedures: Sales and Use Taxes and Special Taxes
- 22 Tax Tips for the Dining and Beverage Industry
- 44 Tax Tips for District Taxes
- 48 Property Tax Exemptions for Religious Organizations
- 51 Guide to Board of Equalization Services
- 61 Sales and Use Taxes: Exemptions and Exclusions
- 70 The California Taxpayer's Bill of Rights
- 73 Your California Seller's Permit
- 74 Closing Out Your Seller's Permit
- 75 Interest and Penalty Payments
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- 101 Sales Delivered Outside California
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- 112 Purchases from Out-of-State Vendors
- 114 Consignment Sales
- 116 Sales and Use Tax Records



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## Written tax advice

For your protection, it is best to get tax advice in writing. You may be relieved of tax, penalty, or interest charges that are due on a transaction if we determine that we gave you incorrect written advice regarding the transaction and that you reasonably relied on that advice in failing to pay the proper amount of tax. For this relief to apply, a request for advice must be in writing, identify the taxpayer to whom the advice applies, and fully describe the facts and circumstances of the transaction. Please send your request to the Board office that handles your account.

Written tax advice is specific to individual taxpayers. You cannot obtain tax relief by relying on a written opinion given to another business, even if your transactions are similar. In addition, tax relief is not available if you incorrectly apply tax based on advice we give you in person or over the telephone.

## Classes

Some of our local offices offer basic sales and use tax classes. Check our website at [www.boe.ca.gov](http://www.boe.ca.gov) under “classes” for a listing of classes or to see our online Basic Sales and Use Tax Tutorial. You can also call your local office for class information.

## Taxpayers’ Rights Advocate

If you have been unable to resolve a disagreement with our agency, or if you would like to know more about your rights under the Sales and Use Tax Law, please contact the Taxpayers’ Rights Advocate office:

Taxpayers’ Rights Advocate Office, MIC:70

State Board of Equalization

P.O. Box 942879

Sacramento, CA 94279-0070

Phone: 888-324-2798 toll-free  
916-324-2798

Fax: 916-323-3319

## Field offices

City	Area Code	Number	City	Area Code	Number
Bakersfield	661	395-2880	San Francisco	415	356-6600
Culver City	310	342-1000	San Jose	408	277-1231
El Centro	760	352-3431	San Marcos	760	510-5850
Fresno	559	248-4219	Santa Ana	714	558-4059
Kearny Mesa	858	636-3191	Santa Rosa	707	576-2100
Laguna Hills	949	461-5711	Suisun City	707	428-2041
Long Beach	562	901-2483	Van Nuys	818	904-2300
Norwalk	562	466-1694	Ventura	805	677-2700
Oakland	510	622-4100	West Covina	626	480-7200
Rancho Mirage	760	346-8096	<b>Offices for Out-of-State Accounts</b>		
Redding	530	224-4729	Chicago, IL	312	201-5300
Riverside	909	680-6400	Houston, TX	281	531-3450
Sacramento	916	227-6700	New York, NY	212	697-4680
Salinas	831	443-3003	Sacramento, CA	916	227-6600
San Diego	619	525-4526			

# What do you think of this pamphlet?

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We hope that this newly revised tax tip pamphlet will help you to better understand the Sales and Use Tax Law as it applies to your organization.

We would appreciate it if you could take a few minutes to give us your comments and suggestions for this pamphlet, so that we can improve future revisions. We'd also like to have some information that will help us make our publications program more useful to you. Please answer the questions below and on the reverse, remove the page, and return it to us. It is designed as a postage-paid self-mailer: you may fold the page as indicated and seal it with two pieces of tape.

Thank you for taking the time to respond to this survey.

## Pamphlet Comments and Suggestions

1. Does this pamphlet help you apply the sales and use tax in your business operations?
2. Are there any sections of the pamphlet that you find particularly helpful? (please note)
3. Are there any sections of the pamphlet that you find confusing? (please explain, if possible)
4. Are there any topics not addressed in this pamphlet that you would like us to include?
5. Are there any sections of the pamphlet that you feel are incomplete? What would you add to them?
6. Do you have any other comments or suggestions for improving this pamphlet?

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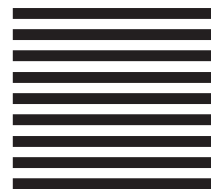
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## **Reader Survey Information** (please check all boxes that apply)

What is the nature of your organization's work?

How long have you been operating?

- ☐ less than one year    ☐ 1-5 years  
☐ 6-10 years    ☐ more than 10 years

Did you receive a copy of this pamphlet (or an earlier version) when you applied for or received your seller's permit?

- ☐ yes    ☐ no    ☐ not sure

How did you find out about this pamphlet?

- ☐ Board field office  
☐ Board auditor  
☐ Tax Information Bulletin  
☐ Publications listing in a Board pamphlet  
☐ Board website  
☐ Other (please list) \_\_\_\_\_

Where did you obtain this pamphlet?

- ☐ Board field office  
☐ Board auditor  
☐ Board Information Center  
☐ Board website  
☐ Other (please list) \_\_\_\_\_

Do you use any other Board publications to help you apply or understand the California Sales and Use Tax Law? (please list)

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